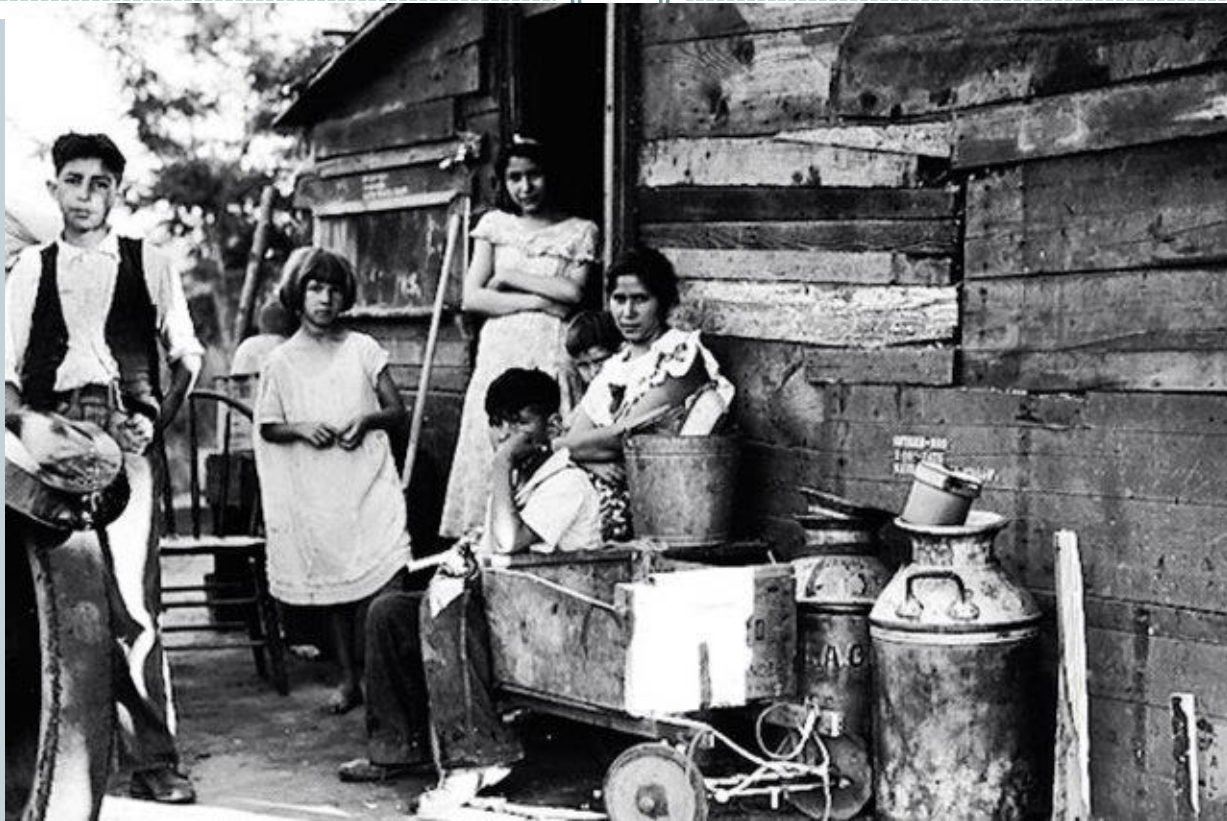


# The Great Depression and Import-Substitution Industrialization



# Growing Class Divisions



- Organizing working class vs. upper class
- Divisions within upper class
  - Concessions vs. Hard-liners
- Ineffective leftist political parties
- Politics became dominated by “populists”
  - Ideology mattered a lot less than personality and rhetoric



# World War I and Its Aftermath



- World War I (1914-1918)
  - Initially, exports from Latin America dry up
- After war, things get really good!
  - Then really bad
  - Example: [Cuba](#)'s “Dance of the Millions”
- Why no increase in manufacturing?
- 1918-1929 = average 1% growth/year in int'l trade
  - Also, growing number of trade competitors

# The Great Depression



- By 1930, still many countries in Latin America that are dependent on a single export
- 70% of all foreign trade comes from four powers
- Great Depression (1929-1939)
  - Stopped the flow of goods into/out of Latin America





# The Great Depression



- By 1930, still many countries in Latin America that are dependent on a single export
- 70% of all foreign trade comes from four powers
- Great Depression (1929-1939)
  - Stopped the flow of goods into/out of Latin America
- Recovery:
  - Quick = Brazil, Mexico, Chile, Cuba, Peru, Venezuela, Costa Rica, Guatemala
  - Slow = Argentina, Colombia, El Salvador
  - *Very* slow = Honduras, Nicaragua, Uruguay, Paraguay, Panama

# World War II and Its Aftermath



- World War II (1939-1945)
- Economic impact?
  - Decreased int'l trade
  - War-time inflation
- Created social tension in Latin America
- After the war, exports go from bad to worse
  - US investments in Europe = little investment in Latin America

# Import-Substitution Industrialization (ISI)



- **Focus on manufacturing**
  - Governments feel the need to get involved
- **Latin American countries restrict imports**
  - Want to replace imports with locally-produced goods
- **Pros?**
  - Protects jobs
  - Launches manufacturing sector
- **Cons?**
  - Inefficient industry
  - Still dependent on foreign capital
- **1950s = stagnant economies in Latin America**